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ERIN WEBER EMMOTT  
DIRECT LINE (202) 955-9766  
EMAIL eemmott@kelleydrye.com

October 7, 2005

**VIA EMAIL AND UPS**

Mr. Ron Jones, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Re: CTC Communications Corp.

05-00273

Dear Chairman Jones:

The purpose of this letter is to request approval, to the extent necessary, from the Tennessee Regulatory Authority ("Authority") for the transaction described in the attached letter at the Authority's next meeting on October 17, 2005.

By way of background, on September 27, 2005, CTC Communications Corp. ("CTC")<sup>1</sup> notified the Authority of its intent to provide its guarantee, serve as a co-borrower, or to otherwise provide security in connection with financing of up to \$500 million being arranged for various affiliated companies, including, but not limited to, its current parent, CTC Communications Group, Inc. ("CTC Group") and/or a new holding company that may be formed by CTC Group to directly own the stock of CTC. Some and perhaps all of the loans are expected to be secured by a first ranking security interest in specified assets of CTC, including a security interest in its stock, receivables, tangible personal property and equipment. In some cases, CTC may provide guarantees or serve as a co-borrower. As explained, the financing will serve the public interest by enhancing the ability of CTC to grow and compete in the highly competitive markets for telecommunications services in Tennessee and is not expected directly to affect in any way the rates or services of CTC or its affiliates, or result in any change in control of CTC or its affiliates. A copy of the September 27, 2005 letter is attached hereto as *Attachment A*

<sup>1</sup> The Authority authorized CTC to provide telecommunications services in Case No. 95-02530, dated Sept. 12, 1995.

KELLEY DRYE & WARREN LLP

Mr. Ron Jones, Chairman  
Tennessee Regulatory Authority,  
October 7, 2005  
Page Two

While CTC believes that the proposed financing does not require Authority approval,<sup>2</sup> pursuant to a telephone conversation on October 7, 2005, with Mr. Aster Adams, Chief of the Competitive Markets and Policy Division, CTC now requests approval from the Authority, to the extent necessary, for the transaction described in *Attachment A* at the Authority's October 17, 2005 meeting.<sup>3</sup> Please note that this type of financing transaction does not require review or approval by the Federal Communications Commission ("FCC").

As required, enclosed is a check for \$25.00 for the transaction. An original and one copy of this filing are enclosed. Enclosed please also find a duplicate copy of this filing and a self-addressed, postage-paid envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided. Should the Authority have any questions or require any additional information, please contact the undersigned at (202) 955-9766 or via email at [eemmott@kelleydrye.com](mailto:eemmott@kelleydrye.com).

Respectfully submitted,

  
Erin Weber Emmott

cc: Aster Adams, Chief, Competitive Markets and Policy Division ([aster.adams@state.tn.us](mailto:aster.adams@state.tn.us))  
Sharla Dillon, Docket Manager ([sharla.dillon@state.tn.us](mailto:sharla.dillon@state.tn.us))


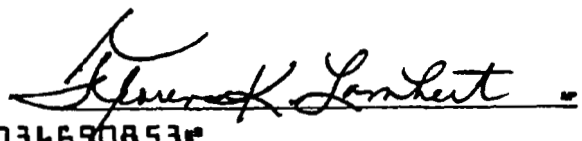
Attachments

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<sup>2</sup> See, Att. Gen. Op. No. 99-119, issued May 14, 1999.

<sup>3</sup> Although CTC is seeking any necessary approval for its participation in this financing transaction, CTC is doing so without prejudice to its right to assert that this transaction is beyond the jurisdiction of the state commissions. See, e.g., *State ex rel. Utils. Comm'n v. S. Bell Tel. & Tel.*, 207 S.E.2d 772, *aff'd* 217 S.E.2d 543 (N.C. 1975).

HARLAND

<b>KELLEY DRYE &amp; WARREN LLP</b> 1200 18TH STREET, N.W. WASHINGTON, DC 20036		8319
DATE <u>October 7, 2005</u>		15-122/540 BRANCH 00480
PAY TO THE ORDER OF	<u>Tennessee Regulatory Authority</u>	\$ <u>25.00</u>
Twenty five and 00/100-----		DOLLARS <input type="checkbox"/> Security features included. Details on back.
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⑈00008319⑈ ⑆054001220⑆ 2000034690853⑈		

DETACH AND RETAIN THIS STATEMENT  
THE ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED BELOW. IF NOT CORRECT PLEASE NOTIFY US PROMPTLY. NO RECEIPT DESIRED.  
**KELLEY DRYE & WARREN LLP**

DATE	DESCRIPTION	AMOUNT
10/7/2005	application for approval of CTC financing application requested by Henry Jones for Erin Emmott 015536.0017	\$25.00

## **ATTACHMENT A**

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

1200 19<sup>TH</sup> STREET, N.W.

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WASHINGTON, D.C. 20036

(202) 955-9600

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T.R.A. DOCKET ROOM

KATHERINE E. BARKER MARSHALL

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October 10, 2005

VIA UPS

Mr. Ron Jones, Chairman  
c/o Ms. Sharla Dillion  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Re: CTC Communications Corp.

Dear Ms. Dillion:

Thank you for your phone call this afternoon. As we discussed, enclosed please find ten (10) additional copies of the filing that was made on behalf of CTC Communications Corp. on October 7, 2005.

Please date stamp the enclosed duplicate of this filing and return in the self-addressed, postage pre-paid envelope. Thank you for your assistance in this matter and please do not hesitate to contact either Erin Emmott at (202) 955-9766 or myself at (202) 955-9669 if you have any questions or concerns.

Respectfully submitted,



Katherine E. Barker Marshall

Enclosures

**KELLEY DRYE & WARREN LLP**

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RECEIVED  
2005 SEP 27 AM 11:28  
J.R.A. DOCKET ROOM

September 26, 2005

DATE STAMP & RETURN

VIA UPS

Mr. K. David Waddell  
Executive Secretary  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Re: Informational Filing of CTC Communications Corp. Regarding Its Intent  
to Provide Security in Connection with Financing

Dear Mr. Waddell:

CTC Communications Corp. ("CTC"), by its attorneys, hereby respectfully notify the Tennessee Regulatory Authority ("Authority"), of its intent to provide its guarantee, serve as a co-borrower, or to otherwise provide security in connection with financing of up to \$500 million being arranged for various affiliated companies, including, but not limited to, its current parent, CTC Communications Group, Inc. ("CTC Group") and/or a new holding company that may be formed by CTC Group to directly own the stock of CTC (collectively, the "Company" or the "Borrowers"). CTC submits that the proposed financing does not require Authority approval, and thus, this information is being filed with the Authority for informational purposes only.<sup>1</sup> However, should the Authority determine that approval is required, CTC respectfully requests that the Authority approve the financing transaction described herein.<sup>2</sup>

CTC: CTC, a Massachusetts corporation, is a subsidiary of CTC Group, a Delaware corporation. CTC Group and CTC are privately held companies with a principal business office

<sup>1</sup> See, Att. Gen. Op. No. 99-119, issued May 14, 1999.

<sup>2</sup> Although CTC is seeking any necessary approval for its participation in this financing transaction, CTC is doing so without prejudice to its right to assert that this transaction is beyond the jurisdiction of the state commissions. See, e.g., *State ex rel. Utils. Comm'n v S. Bell Tel. & Tel.*, 207 S.E.2d 772, *aff'd* 217 S.E.2d 543 (N.C. 1975).

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Tennessee Regulatory Authority  
September 26, 2005  
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located at 220 Bear Hill Road, Waltham, Massachusetts 02451. CTC provides telecommunications services to medium and large businesses predominantly in the northeast and mid-Atlantic regions. Service offerings include local, long distance, and toll free telephony services; post-paid calling card services; conference calling; frame relay, private line, DSL, VPN, ATM; Internet access, webmail and converged services. CTC also provides service by reselling local and interexchange telephony services of other telecommunications carriers. CTC is authorized by the Federal Communications Commission to provide both interstate and international telecommunications services.<sup>3</sup>

**The Financing:** Borrowers propose to borrow up to \$500 million through one or more financing arrangements with banks, other financial institutions and/or other types of investors. The exact amounts and terms of the financings, which may be completed in multiple tranches, will not be finalized until the specific arrangement(s) have been completed or shortly before funding of the various transactions and will reflect the market conditions then existing. Some of the terms, such as interest rate, may fluctuate during the term of the loans due to changes in market conditions and the financial condition and/or the performance of the Borrowers. The terms of the financing arrangements are expected to be substantially as follows:

*Lenders:* Due to the anticipated size of the borrowings, it is expected that the lenders will be a consortium of banks and financial institutions the composition of which may change over the life of the loan. However, other types of investors may be relied upon as well. At present, it is expected that the consortium will have as one of its lead banks Landsbanki Islands hf.

*Amount:* Up to \$500 million. Portions of the borrowed funds may be in the form of conventional credit facilities such as revolving credits (which can be reborrowed during the term of the commitment); letters of credit; the issuance of secured or unsecured notes or debentures to banks, other types of financial institutions or other investors or term loans.

*Maturity:* The maturity date, which is subject to negotiation, will depend on credit conditions, but is expected to range between three and ten years from the date of the initial borrowing. It is possible that some loans may be for a shorter or longer period. Principal payments will be made periodically in accordance with a prescribed schedule established for such borrowing. Repayment of principal could commence within twelve months of the borrowing, could

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<sup>3</sup> The Authority authorized CTC to provide telecommunications services in Case No. 95-02530, dated Sept. 12, 1995.

**KELLEY DRYE & WARREN LLP**

Mr. K. David Waddell, Executive Secretary  
Tennessee Regulatory Authority  
September 26, 2005  
Page Three

commence several years from the date of the borrowing, or could be due in a "bullet payment" at maturity.

*Interest:* The interest rate will be the market rate for similar loans and will not be determined until such time as the loan, notes or debentures are finalized. At this time it is expected that the margin rate will be between 2 and 10 percent, depending on the Borrowers financial performance. Some borrowings may be based off of a base rate, such as LIBOR or the Prime rate charged by a specified major bank for loans of similar size with similar maturities. In some cases, lenders, noteholders or debentures holders may also be given warrants to purchase voting securities of one or more of the Borrowers of up to 5% as part of the consideration for the financing.

*Security:* Some and perhaps all of the loans to Borrower are expected to be secured by a first ranking security interest in specified assets of CTC, including a security interest in its stock, receivables, tangible personal property and equipment. In some cases, CTC may provide guarantees or serve as a co-borrower. The security documents will contain appropriate provisions indicating that the exercise of certain rights thereunder may be subject to obtaining prior regulatory approval.

*Use of Proceeds:* Some of the proceeds will be used to repay amounts borrowed from its parent company, for general corporate purposes, capital expenses, and working capital. Other proceeds will be used to fund the acquisition of other telecommunications companies and/or telecommunications assets.

**Public Interest Considerations:** The financing will serve the public interest by enhancing the ability of CTC to grow and compete in the highly competitive markets for telecommunications services in Tennessee and nationwide, particularly in the states in the Northeast and mid-Atlantic regions. Approval of the financing transaction described herein is not expected directly to affect in any way the rates or services of CTC or its affiliates, or result in any change in control of CTC or its affiliates. Because CTC is a non-dominant carrier, it is not subject to rate of return regulation and its capital structure should not be a matter of concern to the Authority. In addition, because of the highly competitive environment in which CTC operates, the rates charged customers are subject to market discipline and the services offered generally are available from numerous other carriers. As a result, the source of funds and capital structure of CTC would have little effect on customers in Tennessee or elsewhere.

Moreover, because the public interest is best served by assuring the presence of numerous telecommunications competitors in Tennessee, it is important to provide such competitors with



**KELLEY DRYE & WARREN LLP**

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the flexibility to arrange financing in the manner they deem most appropriate to carry on business so long as there is no adverse impact on the public. To deny such flexibility would discourage new competitors from entering the state and would encourage existing competitors in the state to seek a more favorable regulatory environment elsewhere, neither of which would enhance the public interest.

CTC submits that no Authority approval is required for the financing transaction described herein. An original and one copy of this filing are enclosed. Enclosed please also find a duplicate copy of this filing and a self-addressed, postage-paid envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided. Should the Authority have any questions, please contact Erin Emmott at (202) 955-9766.

Respectfully submitted,

**CTC COMMUNICATIONS CORP.**

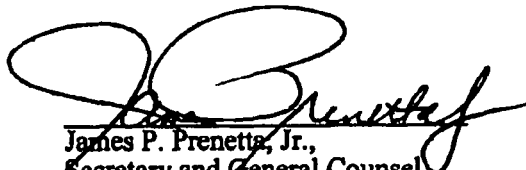
By: Erin W. Emmott  
Joan M. Griffin  
Erin W. Emmott  
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Telephone: (202) 955-9600  
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[JGriffin@kelleydrye.com](mailto:JGriffin@kelleydrye.com)  
[EEmmott@kelleydrye.com](mailto:EEmmott@kelleydrye.com)

Its Counsel

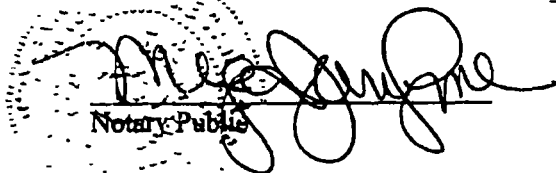
**VERIFICATION**

I, James P. Prenetta, Jr., am Secretary and General Counsel of CTC Communications Group, Inc., and am authorized to represent it and its affiliates, and to make this verification on their behalf. The statements in the foregoing document relating to CTC Communications Group, Inc., and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.

  
James P. Prenetta, Jr.,  
Secretary and General Counsel  
CTC Communications Group, Inc.

Subscribed and sworn to before me this 26<sup>th</sup> day of September 2005.

  
Notary Public

My Commission expires: 10/16/09



MEGAN JANE LOWE  
Notary Public  
Commonwealth of Massachusetts  
My Commission Expires  
October 16, 2009